Section VI

BRANCH BANKING

The landscape of financial institutions has changed dramatically over the past 10 years. Financial institutions are looking to improve their delivery of product and service through the most cost-effective means. Traditional brick and mortar offices are being replaced with convenience centers or in-store outlets, ATM, telephone banking, Internet and other less expensive options. Additionally, mergers and acquisitions within the industry have, in some cases, resulted in branch closures and consolidation efforts.

Branch banking data were purchased from Sheshenoff data service for the years 1991, 1996, 1997 and 1998. The data base included bank name, address, city, state, zip code, and holding company name and deposit dollars. All branch data was geo coded at the street address and assigned a latitude and longitude coordinate and tract ID. By geo coding to the street address the study was not only able to identify the census tract in which the branch is located, it is also possible to identify how many other census tracts that branch can service based on various search radii or density calculations. This allows us to calculate and analyze the number of branches serving any on census tract based on the proximity of the branch to the tract.

Consistent with the CRA regulation, income classifications for the census tracts were based on the CRA regulation defined on page 4 footnote 2.

- As of 1998 there are 62 discrete financial institutions with 497 offices in San Diego County.
- There were 51 Commercial Banks with 340 offices and 11 Savings Institutions with 141 offices in 1998.
- From 1991 through 1998, there was a 24.5 percent decline in the number of FDIC insured deposit offices in San Diego County.
- Banking facilities declined from 681 offices in 1991 to 514 offices in 1998.
- Population per office has grown from 3,668 persons per branch in 1991 to 5,437 persons per branch in 1998.

The following table summarizes the bank branching changes in San Diego from 1991 to 1998, by the income classification of the tracts.

Table VI - 1 San Diego County Number of Branches by Income Classification of Tracts Deposit Dollar in Thousands ($000)						
	Low Income	Moderate Income	Middle Income	High Income	Not Reported	Grand Total
Number of tracts	26	96	193	117	13	445
1991 Number of Branches	18	190	295	177	1	681
1991 Deposits	$917,778	$11,578,309	$11,585,386	$7,885,093	$1,777	$31,968,343
1996 Number of Branches	15	157	234	145	0	551
1996 Deposits	$511,262	$8,060,953	$10,051,537	$8,212,166	$0	$26,835,918
1997 Bumber of Branches	15	136	219	136	0	506
1997 Deposits	$508,415	$8,081,200	$10,601,860	$8,646,144	$0	$27,837,619
1998 Number of Branches	15	151	221	127	0	514
1998 Deposits	$518,275	$9,569,117	$10,686,993	$8,788,892	$0	$29,563,277

- Low and moderate income defined tracts experienced 42 branch closures from 1991 – 1998.

The following map, Exhibit VI-1, shows the change in the banking industry branch distribution, by census tract, throughout the County. Red and green highlighted tracts with a net loss of bank branches. Yellow highlighted tracts with a net gain in branches.

The following table highlights the change in branches by the income classification of the tracts.

Table VI-2 Change in Bumber of Branches 1991 - 1998				
	Low Income	Moderate Income	Middle Income	High Income
Change 91-98	-16.67%	-20.53%	-25.08%	-28.25%
Change 96-98	0.00%	-3.82%	-5.56%	-12.41%
Change 97-98	0.00%	11.03%	0.91%	-6.62%
Change in Loans 97-98	-14.18%	-1.72%	-3.15%	-8.75%

From 1997-1998, moderate income defined tracts experienced new growth in branches. As noted in Section V, San Diego experienced a net decline in the number of small business loans from 1997 to 1998. Moderate income defined census tracts experienced the smallest decline in number of small business loans from '97-'98. Low-income tracts, which have the fewest number of branches, had the sharpest decline in number of loans from '97-'98.

Exhibit VI-1

Branches serve areas other than just census tracts. One way to assess access to banking services is to measure the number of branches which intersect census tracts, based on a radius around the branch. For example, if one measures the number of banks which intersect all the tracts within a 3-mile radius around the branch, it appears that low and moderate-income defined tracts have access to a rather large base of banks within 3 miles to serve them. These data are summarized in the following Table VI–3.

	Low Income	Moderate Income	Middle Income	High Income	Not Reported	Grand Total
Table VI - 4 Ratio of Branches to Serve All Tracts Combined **Based on 3 Mile Radius Around Branches**						
1991	58.04	45.21	41.21	40.52	55.00	43.28
1996	43.77	35.63	32.67	31.85	38.08	33.90
1997	39.08	32.05	29.64	29.58	33.85	30.82
1998	39.69	32.58	30.11	30.18	35.15	31.37

- Low and Moderate income defined census tracts receive fewer loans per branch than middle or high income defined tracts.

Table VI - 5 **Number of Small Business Loans per Branch** **Serving Census Tracts Based on 3 mile Radius**				
	Low Income	Moderate Income	Middle Income	High Income
1997 Number of loans per Branch Serving Tracts	24.36	183.20	423.61	330.95
1998 Number of Loans per Branch Serving Tracts	20.58	177.12	403.93	296.00

Branch density and the relative areas being served by branches can be visualized utilizing a density map. In this scenario, the density of branches is based on a search radius of 3 miles.

Calculating density allows us to distribute the number of bank branches across the census tract base and produce a continuous surface. Density is calculated for each cell by summing a value for each point found in the Search Radius and dividing by the area of the circle in Area Units. Area units in this analysis are square miles. The output density, shown on the following map, illustrates the density of – branches, per square mile.

This technique allows the study to visualize the distribution and concentration of bank branches throughout the county. The county subregions is overlaid for reference. Referring to the density map, it appears that there may be several areas that may be underserved. These include: Southern portions of the Mid-City, portions of the South Bay, portions of Southeast San Diego and Spring Valley, and portions of the North County.